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## **New Zealand**

### **Fresh Deciduous Fruit Annual**

#### **New Zealand Apple and Pear Production and Marketing November 2018**

**Approved By:**

Rey Santella – Agricultural Counselor

**Prepared By:**

David Lee-Jones – Agricultural Specialist

**Report Highlights:**

In 2018/2019, apple production is forecast at 583,000 metric tons, which should produce another record apple export volume totaling 390,000 metric tons.

## Executive Summary

The apple harvest area is forecast to be up three percent at 9,700 hectares (ha) in 2018/2019. This increase coupled with normal weather for the growing season should boost apple production to 583,000 metric tons (MT), a 2.6 percent increase over 2017/2018.

Total apple production for 2017/2018 is now estimated at 568,000 MT, nine percent higher than 2016/2017; a direct result of the very good production season.

The extra apple production in 2018/2019 is expected to meet demand for domestic consumption at 73,300 MT and supply 120,000 MT of fruit to processing. The main beneficiary of the extra fruit will be exports, which is forecast to rise by four percent increase to 390,000MT.

New Zealand exporters expect the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) to be ratified and entered into force in early 2019. This could mean additional exports to markets like Japan.

Apple exports for 2017/2018 have been revised up to 375,000 MT, an 8.7 percent increase, primarily because of the increased production. For year-to-date 2017/2018, exports to the E.U. recorded a 23 percent boost as a result of better prices.

Pear production for 2018/19 is forecast at 13,000 MT or three percent less than 2017/2018. Hence, pear exports for 2018/19 are reduced to 4,850 MT. For 2017/2018 pear production is estimated at 13,450 MT, which is a 15 percent increase on 2016/2017. Accordingly, pear exports are revised to 5,000 MT, which will be 32 percent higher than 2016/2017.

*Note1: The Marketing Year is from Jan 1 to Dec 31, so MY 2017/2018 will be shown as 2017/2018 and refers to Jan 1, 2018 to Dec 31, 2018 in the text to conform to Northern Hemisphere country marketing years.*

*Note2: A TCE stands for Tray Carton Equivalent and is 18.0 kilograms of fruit. FOB stands for Free-On-Board which denotes the value of a product once it is loaded on board ship ready for departure.*

# Planted and Harvested Area

## Apples

The 2018/2019 planted area is forecast at 10,168 hectares (ha), up 3.5 percent on the estimated 9,825 ha in 2017/2018. The harvested area in 2018/2019 is forecast at 9,700 ha, up 3.2 percent on 2017/2018.

Orchard area expansion is trending upwards with an estimated 300-400 ha of new land being planted each year or three to four percent per annum. Industry sources reported that growers are replanting or grafting nearly ten percent of their existing planted area to include more productive and higher value varieties.

Around 40 to 50 percent of the planted area now consists of Intellectual Property (IP) protected varieties such as Envy, Dazzle, Rockit or Honeycrisp. Growers planting IP protected varieties pay either a royalty when planting the trees or a volume related IP fee.

**Table 1**

Deciduous Fruit Plantings in New Zealand by Variety ( in Hectares)										
Calendar Year of Harvest	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Braeburn	2246	2034	1,869	1740	1589	1504	1381	1352	1303	1239
Cox	295	281	248	236	203	178	150	134	121	111
Cripps Pink/Pink Lady	285	353	397	434	446	459	443	461	523	562
Envy			88	174	272	285	315	346	416	544
Fuji	829	899	931	970	934	906	832	837	858	831
Granny Smith	286	282	267	256	256	246	240	219	233	231
Jazz	768	917	977	983	943	905	869	855	825	821
Pacific Beauty	162	149	135	127	120	113	92	84	83	71
Pacific Queen	212	220	263	291	351	456	622	730	827	878
Pacific Rose	454	424	416	399	396	390	379	364	365	342
Pacific series Sub-Total	828	793	814	817	867	959	1,093	1,178	1,275	1,291
Royal Gala & sports	2669	2538	2,417	2423	2369	2386	2337	2410	2549	2604
Other Varieties	332	389	421	376	385	484	709	790	707	930
<b>Total Apple Area</b>	<b>8,538</b>	<b>8,486</b>	<b>8,429</b>	<b>8,409</b>	<b>8,264</b>	<b>8,312</b>	<b>8,369</b>	<b>8,582</b>	<b>8,810</b>	<b>9,164</b>
<b>Total Pear Area</b>	<b>412</b>	<b>412</b>	<b>429</b>	<b>473</b>	<b>441</b>	<b>448</b>	<b>403</b>	<b>407</b>	<b>403</b>	<b>371</b>
Unregistered							383	320	413	465
<b>Total</b>	<b>8,950</b>	<b>8,898</b>	<b>8,858</b>	<b>8,882</b>	<b>8,705</b>	<b>8,760</b>	<b>9,155</b>	<b>9,309</b>	<b>9,626</b>	<b>10,000</b>

Braeburn as % of Apple Area	26.3 %	24.0 %	22.2 %	20.7 %	19.2 %	18.1 %	16.5 %	15.8 %	14.8 %	13.5%
Royal Gala as % of Apple Area	31.3 %	29.9 %	28.7 %	28.8 %	28.7 %	28.7 %	27.9 %	28.1 %	28.9 %	28.4%

Source: PNZI registered area

Note: The unregistered area includes planted area not currently producing fruit for export. This area aligns with the surveys from the Pipfruit NZ National Crop Estimate. A proportion of the area will be young trees not producing a crop yet. It is estimated for 2017 18ha of this area is pears and 447 ha apples.

## Pears

The 2018/2019 forecast for pear planted area is expected to be stable at 400 ha and the harvested area is anticipated at 375 ha, the same as 2017/2018. Industry contacts report that older pear trees are being pulled and being replaced by new plantings of modern higher value varieties such as “Piqa Boo.”

## Apple Production

### 2018/2019

At this stage in the growing season, the 2018/2019 apple harvest could reach record volumes. Post forecast 583,000 MT, 2.6 percent ahead of 2017/2018. This is the result of:

- New plantings of the last two to three years coming into production.
- The main growing area of Hawkes Bay was very wet in August 2018, which means the orchards go into the growing season with good soil moisture at full water-holding capacity. This will help minimize the amount of irrigation that will be needed during the season.
- July to September 2018 has been cold, thus, preventing early budding. There is a range of scientific data that suggests apple crops following a cold late winter tend to be heavier than normal.
- Most orchards have managed to avoid severe biennial bearings so last year’s relatively heavy crop should have minimal effect on the 2018/2019 crop.

### 2017/2018

Post now estimates apple production for 2017/2018 at 568,000 MT, an estimated 8.6 percent increase over 2016/2017 and an upward revision of 1.2 percent on the May 2018 estimate. The dynamics behind this revision are:

- The abnormally wet and warm weather in the Hawkes Bay (61 percent of the total apple orchard area) during January and February 2018 resulted in a heavier crop than had been estimated. This was the result of larger than normal fruit sizes (eight to ten percent up for most varieties).

- Even though there were fruit quality issues such as fruit splitting and russeting, which reduced export pack-out percentages and increased losses during storage, this did not negatively affect the extra volume of fruit available for fresh exports and processing.

## Pear Production

### 2018/2019

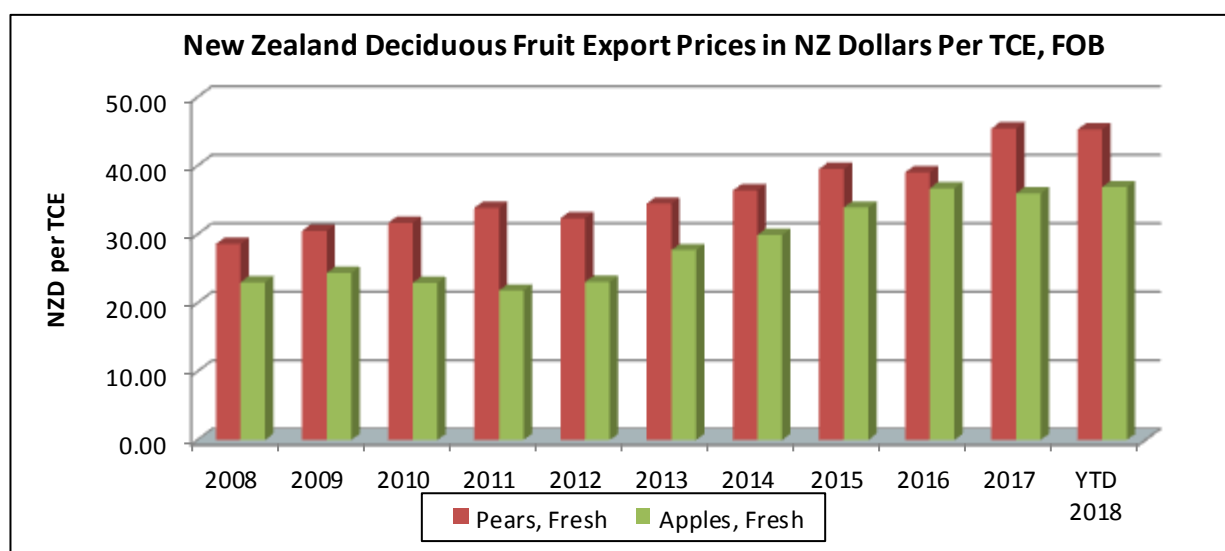
Post forecasts 2018/19 pear production at 13,000 MT, three percent less than 2017/2018. Post anticipates a return to a normal growing season, with new plantings compensating for the older less productive blocks, which are being pulled out in 2018/2019.

### 2017/2018

Post revises its estimate for 2017/2018 pear production to 13,450 MT. This is a 3.5 percent higher than this year's previous estimate. It is, however, a 15 percent increase on 2016/2017 production.

## Grower Returns

Chart 1

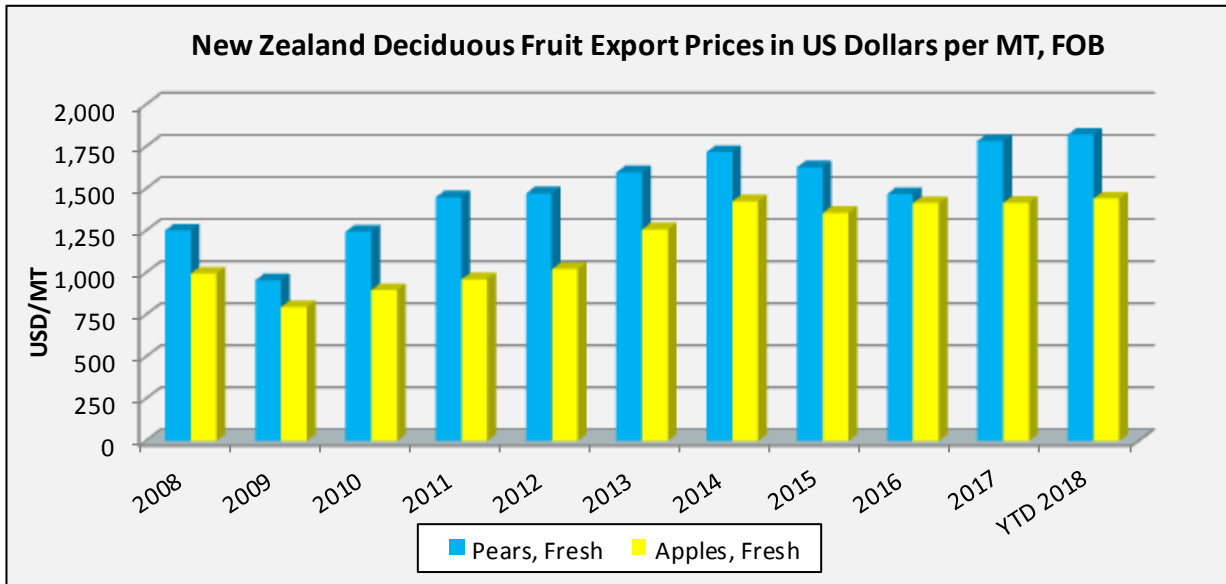


Source:

GTA

For the year-to-date (August), 2017/2018, average in-market pricing (see USD denominated chart below) has increased by two percent to US\$1,446/MT. However, industry sources believe that deciduous sector will continue to be profitable in 2018/2019. FOB prices may fall slightly if the Northern Hemisphere apple crop is as large as predicted. New Zealand exports are spread over a wide range of global markets, which should nullify the negative effects of a larger European domestic crop.

**Chart 2**



Source:

GTA

## Consumption

### Apples

Post forecasts apple consumption in 2018/2019 to be 73,300 MT, up just 0.7% from 2017/2018.

Availability of larger quantities of good quality fruit at competitive pricing should stimulate additional consumption.

### Pears

For 2018/2019, pear consumption is expected to remain the same as last year at 10,750 MT.

## Processing

The 2018/2019 apple processing volume is forecast at 120,000 MT, just 0.4 % lower than the previous year. With an anticipated higher apple production, exports are expected to be higher, thus, reducing the proportion being supplied to processing. Pear processing in 2018/2019 is forecast at 1,800 MT, a slight decrease from 2017/2018.

## Production, Supply, and Distribution Tables

**Table 2**

Apples, Fresh New Zealand  (HA)/(MT)	2016/2017			2017/2018			2018/2019		
	Market Year Begin: Jan 2017			Market Year Begin: Jan 2018			Market Year Begin: Jan 2019		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	9,600	9,600	9,600	9,825	9,825	9,825			10,168
Area Harvested	9,164	9,164	9,164	9,400	9,400	9,400			9,700
Bearing Trees	0		0	0	0				0
Non-Bearing Trees	0		0	0	0				0
Total Trees	0	0	0	0	0	0			0
Commercial Production	520,000	520,000	520,000	558,000	558,000	565,000			580,000
Non-Comm. Production	3,000	3,000	3,000	3,000	3,000	3,000			3,000
Production	523,000	523,000	523,000	561,000	561,000	568,000			583,000
Imports	500	482	482	400	300	300			300
Total Supply	523,500	523,482	523,482	561,400	561,300	568,300			583,300
Fresh Dom. Consumption	70,600	70,552	70,552	54,900	72,800	72,800			73,300
Exports	344,900	344,930	344,930	375,000	373,500	375,000			390,000
For Processing	108,000	108,000	108,000	131,500	115,000	120,500			120,000
Withdrawal	0	0	0	0	0	0			0
Total Distribution	523,500	523,482	523,482	561,400	561,300	568,300			583,300
TS=TD	0	0	0	0	0	0	0	0	0

Note: Data included in this report is not official USDA data. Official data can be found at <http://www.fas.usda.gov/psd>

**Table 3**

Pears, Fresh New Zealand  (Ha/MT)	2016/2017			2017/2018			2018/2019		
	Market Year Begin: Jan 2017			Market Year Begin: Jan 2018			Market Year Begin: Jan 2019		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	400	400	420	400	400	400			400
Area Harvested	371	371	403	375	375	375			375
Bearing Trees	0	0	0	0		0			
Non-Bearing Trees	0	0	0	0		0			
Total Trees	0	0	0	0	0	0			0
Commercial	12,350	11,676	11,676	13,000	13,000	13,450			13,000

<b>Production</b>									
<b>Non-Comm. Production</b>	200	200	200	200	200	200			200
<b>Production</b>	12,550	11,876	11,876	13,200	13,200	13,650			13,200
<b>Imports</b>	4,600	4,559	4,559	4,000	3,500	4,000			4,200
<b>Total Supply</b>	17,150	16,435	16,435	17,200	16,700	17,650			17,400
<b>Fresh Dom. Consumption</b>	11,350	10,750	10,750	11,200	10,750	10,750			10,750
<b>Exports</b>	3,800	3,785	3,785	4,200	4,150	5,000			4,850
<b>For Processing</b>	2,000	1,900	1,900	1,800	1,800	1,900			1,800
<b>Withdrawal From Market</b>	0	0	0	0	0	0			0
<b>Total Distribution</b>	17,150	16,435	16,435	17,200	16,700	17,650			17,400
<b>TS=TD</b>	0	0	0	0	0	0	0	0	0

Note: Data included in this report is not official USDA data. Official data can be found at <http://www.fas.usda.gov/psd>

## Trade

### Apple Exports

#### 2018/2019

Post forecasts 2018/2019 apple exports at 390,000 MT, which would be a four percent increase over 2017/2018, primarily due to higher production.

#### 2017/2018

Industry sources report 2017/2018 apple exports should reach 375,000 MT. Accordingly, Post has revised the 2017/2018 estimate to 375,000 MT, which will be 8.7 percent above the 2016/2017 export volume.

Table 4

<b>New Zealand Export Statistics for Fresh Apples</b>							
<b>Year To Date: January - September</b>							
<b>Partner Country</b>	<b>Quantity (MT)</b>			<b>% Share</b>			<b>% Change</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018/2017</b>
Total EU	75,040	78,310	96,280	21.83	23.20	26.53	22.95
United Kingdom	42,925	49,237	44,665	12.49	14.59	12.31	- 9.29
United States	48,624	38,206	40,462	14.14	11.32	11.15	5.90
India	13,253	9,605	25,787	3.86	2.85	7.11	168.48
Taiwan	32,183	23,610	22,437	9.36	7.00	6.18	- 4.97
China	17,491	16,586	21,977	5.09	4.91	6.06	32.51
Vietnam	8,273	13,139	17,355	2.41	3.89	4.78	32.09
Thailand	24,231	21,480	17,085	7.05	6.36	4.71	- 20.46
UAE	17,594	16,335	14,814	5.12	4.84	4.08	- 9.31
Hong Kong	9,853	13,078	13,426	2.87	3.87	3.70	2.66
Rest of the World	54,302	57,921	48,579	15.80	17.16	13.39	-16.13
<b>World Total</b>	<b>343,769</b>	<b>337,507</b>	<b>362,867</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>7.51</b>

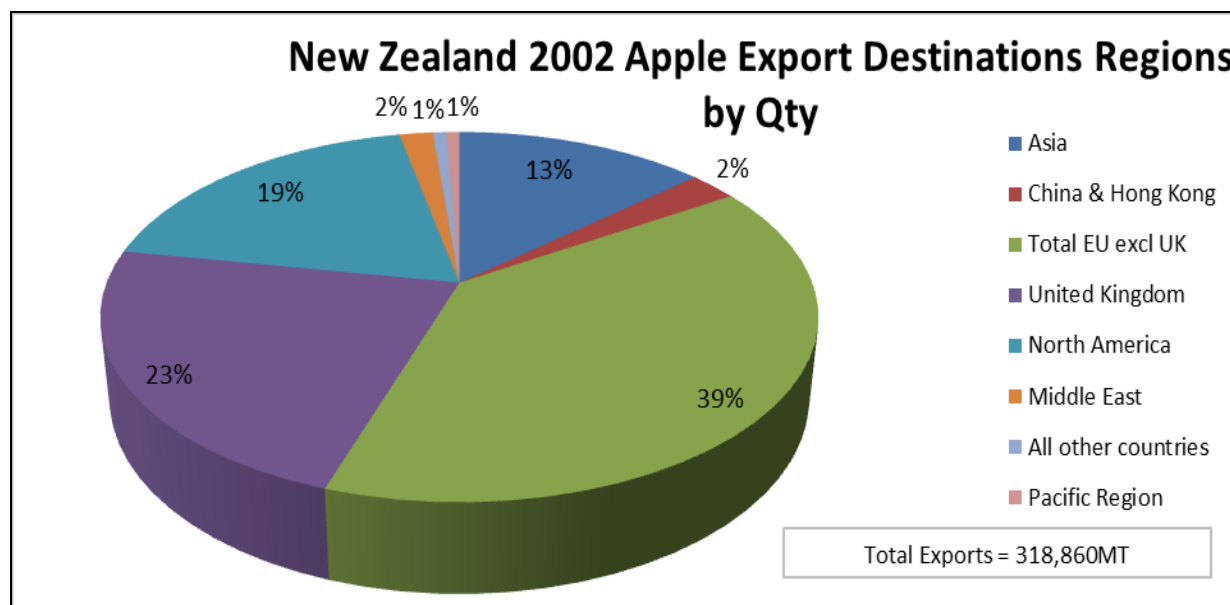
Source: GTA



The table above is notable for a couple of reasons: firstly European market prices were relatively higher because of the smaller European domestic crop from the 2017 harvest. This situation resulted in additional New Zealand exports than in 2017/2018. With a normal European crop forecast for 2018, it is likely that apple prices will be lower in Europe resulting in lower shipments, but a swing back to increased exports to Asia and China in 2018/2019. Secondly, even though exports increased in 2017/2018, reliance on the markets outside the top ten destinations diminished. With a larger 2018/2019 apple crop, New Zealand exporters may once again look to the smaller markets to absorb the additional volume.

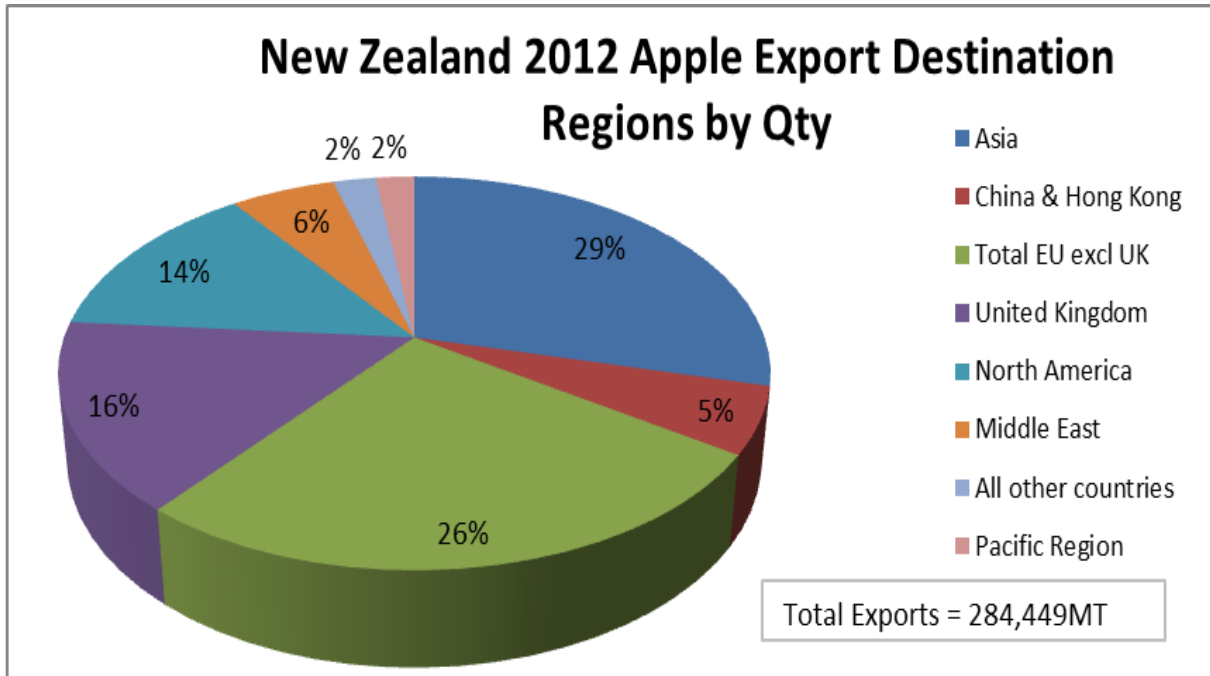
The charts below illustrate the progress New Zealand exporters has made since 2002 to achieve meaningful market access and increasing volumes of apples shipped to greater Asia. From 2002 to 2017 the compounding annual rate of growth for volume shipped to greater Asia was 6.7 percent. Compare this to Europe and the United Kingdom where volumes have retreated since 2002 at an annual compound rate of -2.9 percent.

**Chart 3**



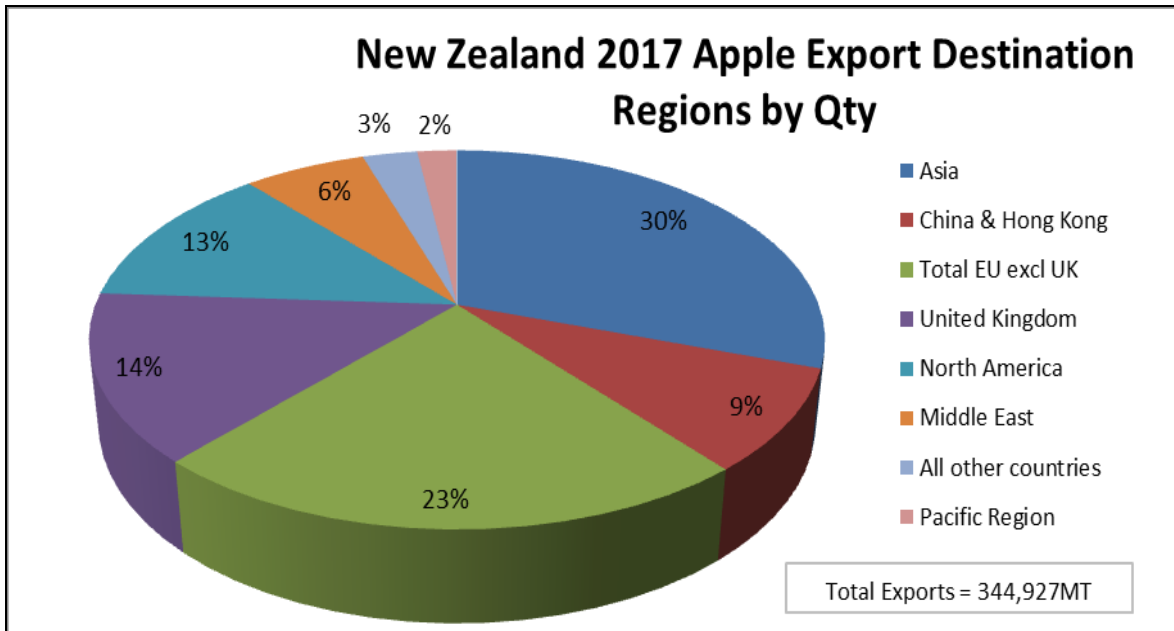
Source: GTA

**Chart 4**



Source: GTA

**Chart 5**



Source: GTA

**Table 5**

New Zealand Export Statistics for Fresh Apples							
Calendar Year: 2015 - 2017							
Partner Country	Quantity (MT)			% Share			% Change 2017/2016
	2015	2016	2017	2015	2016	2017	
Total for EU	71,935	75,040	78,310	21.86	21.63	22.70	4.36

United Kingdom	47,236	42,925	49,237	14.36	12.37	14.27	14.71
United States	32,070	48,625	38,220	9.75	14.02	11.08	- 21.40
Taiwan	22,096	32,183	23,673	6.72	9.28	6.86	- 26.44
Thailand	30,141	24,889	23,605	9.16	7.17	6.84	- 5.16
United Arab Emirates	18,764	17,785	18,178	5.70	5.13	5.27	2.21
China	20,331	17,491	16,586	6.18	5.04	4.81	- 5.17
Hong Kong	10,599	10,183	13,416	3.22	2.94	3.89	31.74
Vietnam	4,248	8,316	13,311	1.29	2.40	3.86	60.07
India	15,007	13,253	9,667	4.56	3.82	2.80	- 27.06
Rest of world	56,604	56,223	60,727	17.20	16.21	17.61	8.01
<b>World Total</b>	<b>329,031</b>	<b>346,913</b>	<b>344,930</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>- 0.57</b>

Source: GTA

## Apple Imports

Total apple imports are expected to remain stable at 300 MT in 2017/2018 and 2018/2019. However, as the size of the New Zealand apple crop continues to grow and the amount of controlled atmosphere (CA) storage increases, the need for imports may decrease.

**Table 6**

<b>New Zealand Import Statistics for Fresh Apples</b>			
<b>Year Ending: December</b>			
<b>Partner Country</b>	<b>Quantity (MT)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
United States	173	281	414
New Zealand(customs re-entry)	1	42	43
Italy	0	0	25
<b>World Total</b>	<b>174</b>	<b>323</b>	<b>482</b>

Source: GTA

## Pear Exports

### 2018/2019

Pear exports for 2018/2019 are forecast at 4,850 MT, three percent less than 2017/2018, which is in line with the anticipated smaller production volume.

### 2017/2018

Post revised the 2017/18 pear export forecast to 5,000 MT, primarily due to the increase in production.

**Table 7**

### **New Zealand Export Statistics For Fresh Pears**

Calendar Year: 2015 - 2017								
Partner Country	Unit	Quantity (MT)			% Share			% Change
		2015	2016	2017	2015	2016	2017	2017/2016
Taiwan	T	846	1,662	1,226	20.20	36.04	32.38	- 26.26
United States	T	1,102	1,121	1,072	26.32	24.32	28.31	- 4.44
China	T	151	45	326	3.61	0.97	8.62	630.69
United Kingdom	T	644	280	282	15.37	6.06	7.45	0.85
Total for EU	T	174	239	184	4.16	5.18	4.86	-23.01
Tonga	T	68	84	122	1.62	1.82	3.23	45.79
Singapore	T	121	103	117	2.89	2.22	3.10	14.51
Canada	T	250	112	105	5.98	2.44	2.77	- 6.94
Fiji	T	119	251	101	2.83	5.45	2.66	- 59.97
French Polynesia	T	62	93	83	1.48	2.03	2.20	- 10.82
Rest of world	T	650	622	167	15.52	13.49	4.41	-73.15
<b>World Total</b>	<b>T</b>	<b>4,187</b>	<b>4,612</b>	<b>3,785</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>- 17.92</b>

Source: GTA

## Pear Imports

For 2018/2019, Post forecasts imports at 4,200 MT. Since 2008, annual pear imports ranged between 3,000 MT and 4,600 MT with each year's total varying in relation to the availability of domestic pears. This is expected to remain the same for the foreseeable future.

**Table 8**

New Zealand Import Statistics for Pears							
Calendar Year: 2015 - 2017							
Partner Country	Quantity			% Share			% Change
	2015	2016	2017	2015	2016	2017	2017/2016
Australia	2,839	2,108	3,171	68.75	65.23	69.56	50.46
China	423	505	718	10.25	15.63	15.76	42.28
United States	777	513	572	18.83	15.86	12.56	11.68
Korea South	89	106	93	2.16	3.29	2.05	- 12.17
Italy	0	0	4	0.00	0.00	0.08	0.00
<b>World Total</b>	<b>4,129</b>	<b>3,231</b>	<b>4,559</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>41.08</b>

Source: GTA

## Market Access Issues

Market access negotiations and barriers on deciduous fruit typically revolve around Sanitary- Phyto-sanitary (SPS), food safety or biosecurity concerns. The New Zealand deciduous fruit sector currently

has no major problems with market access, however, port holdups, labeling issues, increased complexity of phyto-sanitary requirements and political issues are on the rise.

## Trade Policy Update

### CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) includes eleven countries: New Zealand, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Vietnam. Six countries need to ratify the agreement before it can come into force.

For New Zealand apple exporters, Japan is seen as a market with a lot of promise. In 2016/2017, 3,624 MT were shipped to Japan, up from 1,440 MT the year before. For the year-to-date 2017/2018, 3,379 MT have been shipped. Japan currently has a 17% tariff on imported New Zealand apples. The CPTPP trade agreement gradually reduces the tariff to zero.

**Table 9 NZ apple exports to Japan Tariff Reductions**

Year	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11
Tariff	17.0	12.7	11.4	10.2	8.9	7.6	6.3	5.1	3.8	2.5	1.2	0.0
f	%	%	%	%	%	%	%	%	%	%	%	%

Source: MFAT, Apples & PearsNZ

If the CPTPP is fully ratified in 2018, the tariffs on New Zealand apples to Japan may be reduced to 11.4% in 2019.

Mexico is currently a small market for New Zealand apples with year-to-date exports only reaching 21 MT. Currently, the tariff on New Zealand apples is at 20 percent, but the CPTPP could reduce the tariff to zero by year 11 and stimulate new trade.

### Indonesia

In 2015, New Zealand took Indonesia to the WTO as a co-complainant with the United States, seeking to confirm that Indonesia's import licensing requirements were against WTO rules. Despite the WTO rulings, the Indonesian Ministry of Agriculture issued new regulations in November 2017 regarding new import licensing requirements for horticultural products, which included import bans for New Zealand apples.

**Table 10 New Zealand Export History to Indonesia**

Year	2013	2014	2015	2016	2017	2018est
Volume (MT)	3900	3007	3722	8570	6257	3900
Value (FOB) USD	\$5.39m	\$5.21m	\$8.63m	\$13.37m	\$9.79m	\$7.3m

Source: GTA

### India

There is some confidence that the Regional Comprehensive Economic Partnership (RCEP) free trade negotiation will reach a conclusion later this year or early next year. Expectations for any significant outcome for New Zealand apples and pears is low, but it does clear the way for the India/New Zealand FTA to be re-invigorated. Currently, India imposes a 50% tariff on apple imports from all countries except the United States. Despite the 50% tariff, New Zealand has seen a significant increase in apple exports to India. Since 2009, New Zealand has exported 156,000 MT of apples to India at an import value of more than US\$171 million incurring an import tariff of US\$85 million.

The Indian government is reportedly planning to impose a retaliatory tariff of 25% on United States apples as a result of the tariffs placed on Indian steel exports. This could provide new opportunities for New Zealand apple exporters. The Indian apple import market totaled 330,883 MT in 2016/2017, valued at US\$286 million.